



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON DC 20310-0103



REPLY TO
ATTENTION OF

21 FEB 1997

SARD-PI

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Savings from Acquisition Reform

Faced with current resource constraints and future unfunded requirements to equip and maintain Force XXI, we all have attempted to determine where further savings can be achieved. Early last year I advised the Army's Chief of Staff that Acquisition Reform Initiatives can offer significant savings which could be used to minimize funding shortfalls. One of those initiatives is the use of the Government-wide Commercial Purchase Card which creates efficiencies in the Acquisition Process.

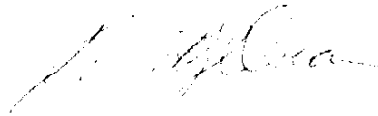
In order to advise the Chief of the potential savings with the card's use, last March I requested the U.S. Army Audit Agency (AAA) perform a cost savings study. The results of that study are in the AAA Audit Report Number AA 97-58, dated January 7, 1997 (enclosed), subject above. I am now forwarding that study for your use as a tool in assessing where you may find additional savings within your organizations. Of the average savings of \$92 when the card is used in lieu of a purchase order, the customer (if cardholder) saves \$10, the resource management directorate saves \$18, the logistics directorate saves \$21 and the contracting directorate saves \$43. Please take note of the report's AAA comments that the overall savings did not consider the additional workload the contracting function has assumed in agency program coordinator responsibilities such as cardholder training, oversight and files maintenance. Program coordinators at many activities have become full time positions due to the size of and emphasis placed on the program by Army staff elements.

I advised the Contracting Functional Area Assessment of the audit's results. Many of you already reduced contracting positions, such as purchasing agents, due to efficiencies and economies the program has already offered. The contracting FAA has programmed further savings resulting from additional increased use of the card as we move towards



the Chief's goal of 90 percent. One concern I have is that some activities have merely "shifted" the small purchase responsibility from the contracting shops to another functional area with the establishment of centralized purchasing locations. This violates the intent of the card recommendations in the National Performance Review and Executive Order 12931 which state that the card should be issued to user organizations.

It is not often we are provided tools such as this which make it easier to determine the appropriate organizations from which to reduce or increase manpower resources. I urge you to review the report and use it in determining current and future manpower strength decisions.



Kenneth J. Oscar
Deputy Assistant Secretary of the Army
(Procurement)

Enclosure

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